

BEFORE THE
PUBLIC SERVICE COMMISSION
OF SOUTH CAROLINA

C7 Jim
6 - Spec. Ass't
1 - Legal

POSTED
6 Apr 04 RNG

In re:)
)
Savannah Valley Cablevision, Inc.)
)
Complainant/Petitioner,)
)
West Carolina Rural Telephone)
Cooperative, Inc. and West)
Carolina Communications, LLC,)
)
Respondents.)
_____)

DOCKET NO. 2003-0293-C

RECEIVED
2004 APR - 6 PM 3:44
SC PUBLIC SERVICE
COMMISSION

TESTIMONY OF JENNINGS MCABEE
ON BEHALF OF SAVANNAH VALLEY CABLEVISION, INC.

RETURN DATE: OK RNG
SERVICE: OK RNG

1 Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS FOR THE
2 RECORD.

3 A. Jennings McAbee, Savannah Valley Cablevision, Inc., 5 Petigru Circle,
4 McCormick, South Carolina 29835. My telephone number is (864) 391-3558.

5 Q. WHAT POSITION DO YOU HOLD WITH SAVANNAH VALLEY CABLEVISION
6 ("SVC")?

7 A. I am on the Board of Directors and the Chairman for the corporation.

8 Q. ARE THERE ANY OTHER MEMBERS OR OFFICERS FOR THE COMPANY?

9 A. Yes. Diane Shaffer is also a Board member and Secretary for the corporation.

10 Q. PLEASE DESCRIBE YOUR BACKGROUND AND EXPERIENCE.

11 A. I am a native of McCormick. I graduated from Wofford. I am a former county
12 magistrate and served in the South Carolina National Guard. I represented
13 House District 12 in the General Assembly from 1975 until 1996 then I was
14 elected in a special election on November 4, 1997 and served until 1998.

15 Q. PLEASE DESCRIBE SAVANNAH VALLEY CABLEVISION.

16 A. Savannah Valley Cablevision is a privately held South Carolina corporation which
17 began providing cable television services in January 1993. We provide cable
18 television services primarily to the residents of Savannah Lakes Village located in
19 McCormick, South Carolina. Over 500 of our 610 customers are located in
20 Savannah Lakes Village.

21 Q. PLEASE TELL US ABOUT THE HISTORY OF YOUR COMPANY.

22 A. Savannah Valley Cablevision, Inc. was formed in December 1992. SVC
23 purchased the cable television system in the Savannah Lakes Village ("Village")

1 owned by Savannah River Cable at the end of 1992 and began providing service
2 in January 1993. Savannah River Cable began building its system in 1989 for
3 people moving into Savannah Lakes Village so they would have cable television
4 service as the community developed. At the time we purchased the system, only
5 two subdivisions within the Village were developed and the company had 65
6 customers. At that time, the system consisted of approximately 25 miles of
7 "plant." The purchase included an assumption of an agreement in which we
8 promised the developer, Cooper Communities, Inc., that we would invest in
9 expanding the cable system as the Village developed in exchange for the
10 exclusive right to provide cable services within the Village. We guaranteed that
11 we would provide service to anyone who built within the Village. We have
12 extended our cable system over the last ten years and now serve six
13 subdivisions within the Village and have approximately 500 customers within the
14 Village. An additional 65 miles of cable system was constructed at a cost of
15 approximately \$450,000. We also increased the number of channels offered by
16 the system from 24 in 1993 to 59 in 2003.

17 Q. PLEASE TELL US HOW THE COMPANY WAS ABLE TO FINANCE ITS
18 OPERATIONS.

19 A. Initially, the two families who formed Savannah Valley Cablevision borrowed
20 \$240,000 to buy the system. I mortgaged my family land as collateral for the
21 note and the other family contributed its technical expertise in building and
22 operating a cable system. While the company has been expanding the cable
23 system over the last seven years all accounting, customer services, system

1 monitoring, engineering, and general management duties have been performed
2 by the owners of the corporation with no direct compensation. We have
3 concentrated our efforts on reducing our debt and tried to reserve some capital
4 for system upgrades.

5 Q. WHAT ARE YOUR RESPONSIBILITIES AT SAVANNAH VALLEY
6 CABLEVISION.

7 A. Mrs. Shaffer and I manage the operations of Savannah Valley Cablevision
8 together.

9 Q. IN ADDITION TO THE OWNERS HOW MANY PEOPLE DOES SAVANNAH
10 VALLEY CABLEVISION EMPLOY?

11 A. We have two employees. Benjamin Furqueron is the head technician and Mary
12 Beckwith is our customer account representative.

13 Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY.

14 A. The purpose of my testimony is to address the issues associated with the plans
15 of West Carolina Rural Telephone Cooperative, Inc. ("WCRTC") and West
16 Carolina Communications, LLC's ("WCC") to offer cable television services using
17 the existing infrastructure provided by WCRTC. We believe that WCRTC and
18 WCC are improperly using overearnings from the monopoly provision of
19 telephone services to subsidize their entry into the cable television.

20 Q. PLEASE EXPLAIN HOW YOU LEARNED THAT WCC INTENDS TO OFFER
21 CABLE TELEVISION SERVICES USING WCRTC'S INFRASTRUCTURE.

22 A. I attended three McCormick County Council meetings in which WCC applied for
23 a franchise to provide cable services throughout the County. On September 16,

1 2003, Dave Herron of WCRTC made a speech regarding how the company
2 would provide video services over the same network presently used to provide
3 telephone services. Mr. Herron indicated that over the last ten years they've been
4 redesigning and rebuilding their network so they could provide more services.

5 Q. WHY DOES WCC'S PROVISION OF CABLE SERVICES CAUSE YOU
6 CONCERN?

7 A. WCC has an unfair advantage in competing with private cable companies like
8 ours. Small private companies must incur debt or invest capital in order to deploy
9 a cable system. WCC has no employees and it is 100% owned by WCRTC.
10 WCC has not incurred the normal costs of building a system or the normal costs
11 of operations. Instead WCC has the deep pockets of WCRTC at its disposal.
12 WCC is using the existing infrastructure of a regulated monopoly public utility
13 without incurring debt or investing capital to deploy its cable system over the
14 same lines used by the regulated monopoly. WCRTC has financed and paid for
15 the operations of an entirely separate competitive entity. WCRTC receives
16 subsidies from the state's Universal Service Fund for these same lines. It is not
17 fair to use subsidized lines to provision services for competitive purposes.

18 When we learned about the plans of WCRTC and WCC to offer video
19 services we made inquiries through our attorneys as to whether the Public
20 Service Commission had approved their plans. We were surprised to learn that
21 the Commission had no knowledge of what was being done by the companies as
22 they had not asked the Commission to approve the arrangements by which WCC
23 is using the assets of WCRTC.

1 Q. WHAT RELIEF ARE YOU SEEKING FROM THE COMMISSION?

2 A. WCC is our competitor. While we were borrowing funds and mortgaging personal
3 assets to build our own facilities, WCC is using another company's facilities.
4 WCRTC's employees, billing system, and promotions are being utilized. It
5 appears that they have an unfair competitive advantage through the use of
6 WCRTC's assets and systems. We believe that these contractual arrangements
7 should have been submitted to this Commission for its examination and approval.
8 Savannah Valley Cable does not have the financial resources to hire experts to
9 examine these arrangements. We are requesting that the Commission order
10 WCRTC to file its contracts with the Commission so that the staff can review
11 those contracts to determine whether its dealings with WCC are proper and in
12 the public interest. We believe it is the responsibility of this Commission to
13 review these issues before the companies begin operating under the contracts.

14 Q. DOES THIS CONCLUDE YOUR TESTIMONY?

15 A. Yes.

BEFORE
THE PUBLIC SERVICE COMMISSION
OF SOUTH CAROLINA
DOCKET NO. 2003-0293-C

In Re:)
)
Savannah Valley Cablevision, Inc.)
Complainant/Petitioner,)
v.)
)
West Carolina Rural Telephone)
Cooperative, Inc. and West)
Carolina Communications, LLC)
Respondents.)

CERTIFICATE OF SERVICE

SC PUBLIC SERVICE
COMMISSION

2004 APR -6 PM 3:48

RECEIVED

This is to certify that I, Lawrence Lockamy, a courier with the law firm of Robinson, McFadden & Moore, P.C., have this day caused to be served upon the person(s) named below the **Testimony of Jennings McAbee** in the foregoing matter by Hand Delivery:

M. John Bowen, Jr., Esquire
Margaret M. Fox, Esquire
McNair Law Firm, P.A.
1301 Gervais Street
Columbia, SC 29201

Dated at Columbia, South Carolina this 6th day of April 04.


Lawrence Lockamy